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## Zimbabwe

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### Grain and Feed Update

**Report Categories:**

Grain and Feed

**Approved By:**

Corey Pickelsimer

**Prepared By:**

Dirk Esterhuizen

**Report Highlights:**

Zimbabwe received normal to above normal rains at the beginning of the season but a persistent dry spell experienced February through March adversely affected the corn crop, particularly in the southern parts of the country. However, corn output is expected to increase this season but the initial projections of surplus corn production are now unlikely. Zimbabwe will have to import corn to augment local production although the magnitude of imports is not clear at this stage.

Wheat production has continued to decline and in the 2010 winter season only about 15,000MT of wheat was produced compared with the national wheat requirement estimated at 348,000MT. The country will have to import an estimated wheat shortfall of 333,000 MT or 95 percent of its annual requirement.

## **Corn**

### **Production**

After a good start to the summer rain season, all parts of the country ultimately experienced dry spells between February and March. The lengths of the dry spells varied between 10 to over 20 days. The southern half of the country experienced a pro-longed dry spell that lasted up to four weeks in some areas, negatively impacting on corn yields. The provinces of Masvingo, Manicaland (southern parts), Midlands (southern parts) and Matabeleland South were most affected and crop condition in these areas is generally mediocre while in some areas experienced total crop failure. Generally, the corn crop in the northern provinces of Mashonaland West and Mashonaland Central was planted early and is now physiologically mature. Crop condition is fair to good in these areas as well as in the northern parts of Manicaland and Midlands provinces.

There was significant improvement in availability of inputs this season. Generally, all inputs were readily available on the market. Fertilizer supply and application was more widespread this season compared to last season because of improved local production. The local industry supplied the market with approximately 330,000MT fertilizer for the summer crop compared to about 100,000MT supplied in the 2008/09 MY and 200,000MT supplied in the 2009/10 MY. An estimated 78,000MT of ammonium nitrate was imported. In 2009, the government relaxed duties on fertilizer imports. The sole local producer of ammonium nitrate has been unable to meet local mainly due to power outages and constant equipment breakdowns.

Generally, the northern parts of the country have a fair to good corn crop. Corn was generally planted earlier in the northern areas due to the timely availability of corn seed. Weed control posed a challenge early in the season for most small scale farmers because of incessant rains early in the season.

The country has a total of 11 seed companies. This season the country had adequate corn seed after local seed companies produced an estimated 48,000MT comprising 38,000MT of hybrid and 10,000MT of open pollinated corn varieties. This is in contrast to 2008 when only 6,000MT corn seed was produced locally. National corn seed requirements are estimated at 30,000 to 33,000MT per annum. Of this, the country's largest seed company produced 24,000MT hybrid corn seed, but seed sales were only 9,000MT and is currently has 15,000MT carryover corn seed in stock. The company expects 30,000MT corn seed from its 2010/11 season corn seed production contractors. The other seed houses expect 15,000MT corn seed from 2010/11 seed crop bringing the total corn seed available for the 2011/12 summer season is 60,000MT, twice the national requirements.

Dollarization of the economy and the lifting of price controls encouraged many growers to resume seed

production. Intensive training, provided by seed companies to small scale growers, has also led to increased seed production.

Currently, exports of seed corn have been banned by government since 2005, but seed companies have requested permission to export some of the surplus. The 2005 ban on seed exports occurred after seed production fell drastically after imposed price ceilings that were unattractive to commercial producers.

Government subsidized corn seed was available to small scale farmers through various Grain Marketing Board (GMB) depots around the country. The government provides subsidized seed to growers at a cost of \$5 to \$10/10kg compared to the commercial market price of \$22/10kg. It is estimated that government subsidized seed accounted for about 50 to 60percent of seed sales this season. Subsidized fertilizer was also availed to small scale farmers at \$15/50kg bag compared to the market price of \$27/50kg bag. Although A1 and A2 farmers (farmers holding roughly six hectares or more) were not beneficiaries of subsidized inputs, the general low liquidity in the economy and unavailability of long term loans in the banking sector contributed to the low uptake of seed and fertilizers.

The Ministry of Agriculture's First Crop and Livestock Assessment Report to assess and verify areas planted to different crops in the 2010/2011 agricultural season was released in early February. It estimates area planted to corn in 2010/11 season at about two million hectares an increase of 16 percent from 1.7 million hectares in the previous season.

### **Outlook:**

Prospects for corn production this season are for a better crop compared to last season mainly due to improved seed availability, improved availability of fertilizer and early planting in the northern parts of the country where traditionally most of the corn production takes place. The first half of this season was better than that of 2009/10 season. However, after a good start to the season, a prolonged dry spell affected the country and adversely affected the corn crop; particularly in the southern production areas. The outlook is for a corn crop that may be inadequate to meet national requirements and the magnitude of the deficit has not yet been estimated.

### **Consumption**

Generally corn and corn meal have been readily available in the country through commercial imports.

The majority of households have exhausted their corn stocks from own production and are dependent on purchases from the market. Following the mid-season drought, the Grain Marketing Board has been instructed by government to start moving corn to drought affected areas to ensure widespread availability.

The country currently allows importation of GM corn for food under strict supervision by government agencies to ensure that the corn is milled and not used as seed. However, the government's position on GM corn is currently being reviewed with relevant stakeholders in agriculture, health and environment

sectors.

## **Trade**

In mid-January 2011, the Commodities Exchange in Zimbabwe (COMEZ) was launched in Harare, Zimbabwe. COMEZ is expected to play a key role in unlocking funding for agriculture and facilitating orderly trading of commodities in Zimbabwe. It is temporarily housed at the Ministry of Industry and Commerce headquarters in Harare. Zimbabwe previously had a thriving commodity exchange, which was closed in 2001 when the government gave monopoly power for corn and wheat trading to the Grain Marketing Board.

COMEZ will offer spot markets where payment and delivery is immediate, as well as create a futures market. Trading of commodities will be on the basis of warehouse receipts issued by the exchange operated or approved warehouses which guarantee the quality and quantity of products. One of the major advantages that COMEZ will offer is the elimination of monopoly power through it attracting more players. The commodities exchange will initially trade in grains, cereals and oilseeds.

Market information will be readily available to growers. Prior to COMEZ, the only realistic price guides for growers were the South Africa commodity prices and GMB prices. However, payments from the GMB frequently entail payment delays as the GMB has not been able to generate enough funds to operate as an autonomous body and relies on government funding for payments.

COMEZ is not operational and is expected to be functional once settlement banks and commodity brokers are selected. The Minister of Industry and Commerce disclosed that COMEZ is still finalizing operational modalities and will start operating next agricultural season. No date is set yet for the start of trading. However, there is a general lack of understanding by the majority of farmers on the mode of operation of the commodity exchange and its benefits.

### **Corn imports:**

Currently, there is no official mechanism to capture data on corn importations from countries other than South Africa. While liberalization of grain trade at the end of 2008 to permit importation by private players has improved the flow of grain imports into the country, it has also made data capture of imports difficult. Imports data can only be consolidated from the country's main millers and grain traders and it is not considered accurate as it excludes informal cross border corn trade that is assumed to be of a significant magnitude. COMESA plans to monitor cross border trade beginning in July 2011 through the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA). It is expected this will improve the current corn trade estimates.

Available trade data for the period May 2010 to March 2011 from a procuring agency for the country's largest corn miller is presented below:

Country of importation	Quantity of corn imported (MT)
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Zambia	15,000
Malawi	5,000
South Africa	39,562
<b>Total</b>	<b>59,562</b>

Source: Intergrain Zimbabwe

The above figures are for one importer procuring for a major processor who mills approximately 60 to 70 percent of the country's corn meal requirements.

The table below gives a summary of the monthly imports of corn through South Africa in the period May 2010 to date as captured by SAGIS. South Africa is traditionally the major source of corn imports into Zimbabwe.

SAGIS corn imports into Zimbabwe from May 2010 to March 2011

<b>Year and month</b>	<b>Corn imports (MT)</b>
<b>2010</b>	
May	13,693
June	7,007
July	Nil
August	1,783
September	2,274
October	3,866
November	Nil
December	103
<b>2011</b>	
January	88
February	3,661
March (up to 25 <sup>th</sup> )	1,487
<b>Total</b>	<b>33,962</b>

Corn imports from South Africa for the period May 2010 to January 2011 totaled 33,962MT compared with 50,792 MT at the same time in 2010.

## Prices

### Local Commodity Prices:

Commodity Trader/ Buyer	White maize price \$/MT	Yellow maize price \$/MT
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GMB	275	275
Intergrain	280	280
Staywell	245	245
Croplink	270	270
Agrifoods	275	
SAFEX	237	243
SAFEX (Import Parity)	260	266

Local corn prices are currently higher than the SAFEX import parity prices.

## **Wheat**

### **Production**

Wheat area planted and production has been sharply declining mainly due to viability problems, funding challenges and unreliable power supplies. Unavailability of long term loans, high rates of interest ranging from 14 to 22 percent and limited access to credit have contributed to the decline in area planted. Local financial institutions are offering short-term loans with high interest rates of 22.5 percent.

The government has a target for 30,000 hectares of wheat to be grown in 2011 winter season. An estimated 12,000 hectares were put under wheat during the 2010 winter cropping season. However, due to the lack of funding, it is unlikely that this target will be achieved and wheat production is not expected to increase significantly above the 2010 production.

### **Consumption**

The country's monthly wheat consumption is estimated at 27,000 MT (20,000MT flour). The current price of imported wheat is US\$440/MT. High protein bakers' flour is priced at US\$650 to US\$700 per ton. Local price of bread has remained consistent throughout the year with a standard loaf costing US85 cents and a superior loaf costing US\$1.00.

The national wheat requirement is estimated at 348,000 MT per annum. The country will have to import an estimated shortfall of 333,000 MT or 95.7 percent of its requirement after approximately 15,000MT was produced in 2010. Since the country relies on wheat imports, the baking industry may have to review bread price upwards by 10 to 20 percent should the Chicago Board of Trade (CBOT) wheat price increase to US\$370/\$380 per ton.

## **Trade**

A total of 78,355MT wheat was imported from USA, Germany, Brazil, Lithuania and South Africa from May 2010 to March 2011 as shown in the table below.

Wheat imports through South Africa from May 2010 to mid-January 2011

<b>Country</b>	<b>Quantity (MT)</b>
Brazil	1,152
Germany	42,389
Lithuania	20,797
South Africa	12,563
USA	1,454
<b>Total</b>	<b>78,355</b>

Source: SAGIS

Significant volumes of wheat are also imported through Beira in Mozambique but the quantitative data is not readily available and will have to be aggregated from individual miller data. The procuring agency for the country's largest miller imported a total of 71,850MT from Australia, Argentina and South Africa.